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OFFICE OF INTERNAL OVERSIGHT SERVICES
AUDIT AND MANAGEMENT CONSULTING DIVISION

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27 May 2001

Assignment No. AF/2001/30/2

To: Mr. John Chien, CAO
UNOHCI, Baghdad

From: Gloria D. Jose, Resident Auditor
UNOHCI, Baghdad
Audit and Management Consulting Division
Office of Internal Oversight Services

Subject: OIOS Audit of Cash Management - Petty Cash Funds (PCF)

The recommendations set out below are submitted for your consideration. Please comment on them and where appropriate, specify the corrective action taken or provide a planned implementation schedule. When commenting please refer to the Assignment No. listed above and to the recommendation number in parenthesis in order to facilitate monitoring of its status (timely response, acceptance, implementation). Please reply by 21 June 2001.

Audit Observations and Recommendations

1. We reviewed various Petty Cash Funds maintained in the UNOHCI Office in Baghdad as requested by UNOHCI management. There are two PCFs maintained: one in General Services Section for the amount of \$2,500.00 and the other in Transport Section for the amount of \$300.00. The latter PCF was only created in April 2001 upon approval of the Chief Administrative Officer.
2. Petty Cash Funds are created for the purpose of paying local miscellaneous expenditures not exceeding \$200.00 per transaction. The level of the PCF should not exceed the amount of \$5,000.00. The PCF should be maintained in accordance with the guidelines and instructions covering the operations of PCFs as contained in the memorandum of the Director of Accounts Division, OPPBA dated 24 May 2000.

General Service Section PCF

3. A review was conducted of the PCF account held by the General Services Section. We noted the following deficiencies/weaknesses:

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- No petty cash book is maintained by the PCF Custodian
 - IOUs were made from the PCF without proper documentation authorizing expenditures
 - No proper inventory and handover for the change of PCF Custodian
 - There are no clear guidelines on what expenditures are chargeable to the PCF
 - Non-miscellaneous expenditures like purchase of service table, metal safe, supplying and installation of blinds, etc. were paid out of the PCF
 - Vouchers pertaining to purchase of telephone cables, repair of EDP equipment, etc. were made separately, the total of which exceeds the limit of \$200.00
4. The PCF Custodian upon advise by the Resident Auditor has prepared an electronic petty cash ledger and updates it on a regular basis.

Transport PCF

5. A review of the PCF was conducted and revealed the following deficiencies/weaknesses:
- No petty cash book maintained for the PCF
 - The safe is located near the door of the office which serves as the ingress/outgress
 - There is no request document authorizing use of the PCF for purchase of supplies, parts, etc.
 - There are no clear guidelines on what expenditures are chargeable to the PCF
 - The PCF started as a personal advance of \$600.00 in February 2001 to the PCF Custodian pending the approval of its creation. The PCF as of the 30 April 2001 Monthly Financial statements showed the PCF at \$300.00. Per PCF Custodian control sheet however, the amount showed \$600.00
 - The process for appointment of PCF Custodian was not followed, i.e. specimen signatures, undertaking duly signed and filed at Finance Office, etc.
 - Purchase of spare parts for the repair of a car broken down in different vouchers, the total of which is \$200.00
 - Majority of the expenditures pertain to wheel balancing
 - Expenditures are normally paid in local currency. The foreign exchange gains/losses are not accounted for.
6. The PCF Custodian upon advise by the Resident Auditor, has opened a petty cash book to record chronologically the payments made out of PCF; relocated the safe to a less conspicuous area where it is not within public view and has

devised a form to be used for request for petty cash expenditure duly approved by supervisor concerned prior to issuance of cash.

7. We recommend that:

UNOHCI, review the miscellaneous expenditures that maybe chargeable to the PCFs and consider establishing a contract for services frequently used such as the tire balancing, repair of EDP equipments, etc. in order to avoid unnecessary cash handling.
(Rec.#AF/2001/30/2/101)

UNOHCI maintain the PCFs uniformly applying the forms, numbering of vouchers, replenishment process, petty cash books, etc.
(Rec.#AF/2001/30/2/102)

UNOHCI accounts for the foreign exchange gains/loss in the replenishment of PCFs.
(Rec.#AF/2001/30/2/103)

UNOHCI ensures that the guidelines issued by the Controller on 24 May 2000 are adhered to for better management of the PCFs.
(Rec.#AF/2001/30/2/104)

Imprest Account

8. On 04 October 2000, the UN Controller delegated the authority to the Directors of Administration and Chief Administrative Officers at all peacekeeping missions to manage one imprest fund per region up to a ceiling of \$25,000 per month for the local purchase of goods and services.
9. UNOHCI on 30 March 1997 was given the authorization to establish an imprest fund as an exception to Rule 108.10, initially in the amount of \$1,000,000.00 noting that while cash disbursements maybe required initially, arrangements should be made where possible for direct deposits into recipients' accounts. In line with the recommendation of the OIOS, on 06 October 2001, the Cash Imprest level was reduced to \$400,000.00 for UNOHCI Baghdad and \$50,000.00 for UNGCI Baghdad. Cash payments are normally for MSAs, travel claims and minor local purchases.
10. We believe that the approved level of \$400,000 for UNOHCI imprest account in Baghdad is the only account referred to in para. 3 above. To create other imprest accounts still requires the authorization from Headquarters since the amount exceeds the \$25,000 threshold level. However, for creation of PCFs, this requires the approval of the

Controller in line with the provisions of the memorandum of the Controller dated 24 May 2000.

11. A review of the purchase orders found that cash payments are made to local vendors. The Procurement Section informed us that vendors normally like to be paid in cash rather than by checks or that they don't have bank accounts. Information as to the banking practices/acts in Iraq allow the opening of bank accounts by business establishments.

12. We recommend that:

UNOHCI should obtain the retroactive approval for the PCF established in the amount of \$600.00, without seeking the approval from the Controller.
(Rec.#AF/2001/30/2/105)

UNOHCI should review cash payments especially to local vendors and local staff, to determine the possibility of making alternative arrangements with banks for direct deposits.
(Rec.#AF/2001/30/2/106)

Sale of UN Stamps

13. Since the General Service Section PCF Custodian is also the custodian of UN stamps, a review was undertaken and revealed the following deficiencies/weaknesses:

- Sales proceeds are not deposited regularly with the Cashier.
- No inventory/handover is conducted when there is change of custodian.

14. The PCF Custodian upon advise of the Resident Auditor, has deposited the proceeds from sale of UN Stamps with the Cashier amounting to \$371.00.

15. We recommend that:

A proper inventory/handover is conducted properly when there is change of custodian duly attested to by Supervisor.
(Rec.#AF/2001/30/107)

cc: Tun Myat, HCI